

# Exhibit E

**In The Matter Of:**

***(C-''FHFA-ALL'') FEDERAL HOUSING FINANCE AGENCY,  
ETC.***

---

***RICHARD F. SYRON - Vol. 1***

***November 22, 2013***

---

**MERRILL CORPORATION**

**LegaLink, Inc.**

225 Varick Street  
10th Floor  
New York, NY 10017  
Phone: 212.557.7400  
Fax: 212.692.9171

RICHARD F. SYRON - 11/22/2013

Page 1

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6189 (DLC)

HSBC NORTH AMERICA HOLDINGS,  
INC., et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6190 (DLC)

BARCLAYS BANK PLC, et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6192 (DLC)

DEUTSCHE BANK AG, et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6193 (DLC)

FIRST HORIZON NATIONAL  
CORP., et al.,

Defendants.

-----x  
DATE: November 22, 2013

WITNESS: Richard F. Syron

RICHARD F. SYRON - 11/22/2013

Page 2

1

2 -----x  
3 FEDERAL HOUSING FINANCE AGENCY, etc.

4 Plaintiff,  
5 vs. 11 Civ. 6195 (DLC)

6 BANK OF AMERICA CORP., et al.,

7 Defendants.  
8 -----x  
9 FEDERAL HOUSING FINANCE AGENCY, etc.,

10 Plaintiff,  
11 vs. 11 Civ. 6198 (DLC)

12 GOLDMAN, SACHS & CO., et al.,

13 Defendants.  
14 -----x  
15 FEDERAL HOUSING FINANCE AGENCY, etc.,

16 Plaintiff,  
17 vs. 11 Civ. 6200 (DLC)

18 CREDIT SUISSE HOLDINGS  
(USA), Inc., et al.,

19 Defendants.  
20 -----x  
21 FEDERAL HOUSING FINANCE AGENCY, etc.,

22 Plaintiff,  
23 vs. 11 Civ. 6201 (DLC)

24 NOMURA HOLDING AMERICA,  
25 INC., et al.,

Defendants.  
-----x

RICHARD F. SYRON - 11/22/2013

Page 3

1

2

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

3

4

Plaintiff,

vs. 11 Civ. 6202 (DLC)

5

MERRILL LYNCH & CO.,  
INC., et al.,

6

Defendants.

7

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

8

9

Plaintiff,

vs. 11 Civ. 6203 (DLC)

10

SG AMERICAS, INC., et al.,

11

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

13

Plaintiff,

vs. 11 Civ. 6739 (DLC)

14

MORGAN STANLEY, et al.,

15

Defendants.

-----x

17

18

19

20

21

22

23

24

25

RICHARD F. SYRON - 11/22/2013

Page 4

1  
2 IN THE UNITED STATES DISTRICT COURT  
3 DISTRICT OF CONNECTICUT  
4 -----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,  
5 Plaintiff,  
vs. Case No.  
6 3:11-cv-01383-AWT  
7 THE ROYAL BANK OF SCOTLAND  
GROUP PLC, et al.,  
8 Defendants.  
9 -----x

10 November 22, 2013  
11 9:16 a.m.  
12  
13  
14 Videotaped deposition of RICHARD F.  
15 SYRON, pursuant to notice, held at the  
16 offices of Mayer Brown LLP, 1999 K Street,  
17 NW, Washington, DC, before Gail F. Schorr,  
18 a Certified Shorthand Reporter, Certified  
19 Realtime Reporter and Notary Public within  
20 and for the State of New York.  
21  
22  
23  
24  
25

RICHARD F. SYRON - 11/22/2013

Page 230

1

2 at the top?

3 A. Sorry, I was looking at 17 on  
4 the bottom.

5 Q. I didn't see any page number.

6 MR. COREY: If you go later on  
7 it starts --

8 A. Statement of Richard Syron, I  
9 see halfway, two-thirds of the way down.

10 Q. Right. And then what follows  
11 there are some remarks that you made at  
12 the hearing, right?

13 A. Correct.

14 Q. If you could just turn to the  
15 next page, page 18 now.

16 A. Can I read 17?

17 Q. Sure.

18 A. Okay.

19 Q. I'd like to ask you to turn  
20 over to the next page actually, page 18.

21 A. Okay.

22 Q. And this is still in your  
23 statement. The last full paragraph on  
24 the page says "The subprime market was  
25 developed largely by private label

RICHARD F. SYRON - 11/22/2013

Page 231

1  
2 participants, as were most  
3 non-traditional mortgage products.  
4 Freddie Mac entered the non-traditional  
5 slice of the market because, as the  
6 private lending sector shifted toward  
7 those type of loans, Freddie needed to  
8 participate in order to carry out its  
9 public mission of promoting  
10 affordability, stability, and liquidity  
11 in housing finance."

12 Do you see that?

13 A. Yes.

14 Q. Was that a true statement at  
15 the time you made it to Congress?

16 A. Yes.

17 Q. If you could turn ahead to  
18 page 122 in this same document.

19 A. Numbered at the top?

20 Q. Yes, numbered at the top.

21 A. Yes. I don't have page 122.

22 Oh, it's on the back side, sorry.

23 Q. Are you at page 122 now?

24 A. Yes, I do.

25 Q. About, let's see, about 11

RICHARD F. SYRON - 11/22/2013

Page 232

1

2       lines down or so there's a line that says  
3       "Mr. McHenry. Good luck I hear." Do you  
4       see that?

5           A.     Yes.

6           Q.     Then it says, Mr. McHenry  
7       continuing, it says "Okay, in order to  
8       fulfill your affordable housing goal,  
9       instituted and given to you by Congress,  
10      did you feel in order to fulfill that  
11      affordable housing goal, did you feel  
12      pressure from Congress to do riskier  
13      mortgages, perhaps more borderline  
14      mortgages? We will start with Mr. Raines  
15      and we'll go right down the list. Yes or  
16      no?"

17           A few lines down we come to  
18      Mr. McHenry and he says "Mr. Syron."  
19      Then it says "Mr. Syron. As the goals  
20      went up and the goals were specified by  
21      HUD, you inevitably, to make more  
22      progress, had to take more risk.

23           "Mr. McHenry. So in order to  
24      make more progress with your affordable  
25      housing goal, you had to make riskier

RICHARD F. SYRON - 11/22/2013

Page 233

1

2 mortgages?"

3 "Mr. Syron. Buy riskier  
4 mortgages."

5 Do you see that?

6 A. Yes.

7 Q. Was that truthful testimony at  
8 the time you gave it to Congress?

9 A. Yes.

10 Q. I'd like you to go back to the  
11 board deck if you would, which was  
12 Exhibit 34602.

13 MR. COREY: Are we finished  
14 with this?

15 MR. STARK: For the moment.  
16 We'll come back to it.

17 Q. I'd like to go to page 50.  
18 Are you at page 50?

19 A. Yes.

20 Q. And this page is headed  
21 "Subprime ABS provides several benefits."  
22 Do you see that?

23 A. Yes.

24 Q. And then there's some mention  
25 of economic benefits and underneath that

RICHARD F. SYRON - 11/22/2013

Page 234

1

2 it says "Expected ROE 17 percent." Does  
3 that refer to return on equity?

4 A. Yes.

5 Q. And the next bullet says  
6 "Agency option adjusted spread 30 bp," or  
7 basis points. Do you see that?

8 A. Yes.

9 Q. Do those bullets taken  
10 together indicate that, as you mentioned  
11 earlier, PLS were a relatively profitable  
12 investment for Freddie Mac?

13 MR. COREY: Objection, form.

14 A. Yes.

15 Q. Then the next subheading says  
16 "Supports our housing goals/sub-goals."  
17 Do you see that?

18 A. Yes.

19 Q. And then there's a chart  
20 underneath that. Do you understand that  
21 chart to be illustrating how subprime or  
22 nonprime PLS contributed to Freddie Mac  
23 meeting its housing goals and sub-goals?

24 A. Yes.

25 MR. COREY: Objection.

RICHARD F. SYRON - 11/22/2013

Page 235

1

2                   Objection, form. Just looking at  
3                   the chart?

4                   MR. STARK: I'm just asking  
5                   for his understanding.

6                   I'll mark the next exhibit,  
7                   34616.

8                   (Syron Exhibit 34616 for  
9                   identification, document entitled  
10                  "Analysis of Freddie Mac's  
11                  asset-backed securities portfolio,"  
12                  dated February 28th, 2008.)

13                  Q.     Mr. Syron, we've handed you  
14                  now what's been marked as Exhibit 34616.

15                  A.     Yes.

16                  Q.     Do you recognize this  
17                  document?

18                  A.     Not right now, no.

19                  Q.     This is entitled "Analysis of  
20                  Freddie Mac's asset-backed securities  
21                  portfolio," dated February 28th, 2008.  
22                  Do you recall in the time frame around  
23                  February 2008 Freddie Mac putting  
24                  together something called the white paper  
25                  about Freddie Mac's asset-backed

RICHARD F. SYRON - 11/22/2013

Page 236

1

2 securities portfolio?

3 A. No, I don't recall it, but  
4 white paper rings a bell.

5 Q. You don't recall that  
6 specifically. Okay.

7 Let's turn to page 3 just  
8 briefly. Right at the top of the page  
9 under the heading "ABS portfolio  
10 overview" --

11 A. I'm sorry, I'm on the wrong  
12 page.

13 MR. GREEN: Page 3.

14 A. I'm sorry.

15 Q. Right at the top of the page  
16 it says "Between 2004 and mid-2007, the  
17 significant growth in mortgage debt  
18 outstanding, coupled with the increased  
19 share of ABS, allowed Freddie Mac to  
20 deploy capital at rates of return that  
21 surpassed those in the traditional agency  
22 mortgage securities market, while  
23 purchasing assets that were highly  
24 supportive of the company's affordable  
25 housing goals and sub-goals."

RICHARD F. SYRON - 11/22/2013

Page 237

1

2 Do you see that?

3                   A.        Yes.    Let me -- I'm sorry, I  
4                   have a hard time seeing, my glasses got  
5                   stepped on, or got --

6 MR. GREEN: Read the whole  
7 paragraph.

8 A. Okay.

9                   Q.        And the text that I read,  
10                  based on your time as the head of Freddie  
11                  Mac, is that an accurate statement?

12                   A.        I 'm sorry, I forgot what you  
13                   read.

14 Q. I read the first four lines of  
15 that paragraph.

## 16 A. Ending with sub-goals?

17 Q. Correct.

18 A. Yes.

19 Q. Yes, that's accurate?

20 A. Yes.

21                   Q.       Now, Mr. Syron, during your  
22                   time at Freddie Mac you received  
23                   compensation that was at least in part  
24                   based on an evaluation of your  
25                   performance during the year, right?

1

2 A. Yes.

3 Q. And there was a sort of  
4 scorecard that was used to evaluate your  
5 performance; is that right?

6 A. Yes.

7 Q. And what factors were included  
8 in that scorecard?

9 A. Well to simplify it, the most  
10 important factors were remediating the  
11 organization at Freddie Mac and getting  
12 the, getting our accounting up to date  
13 and getting ourselves rated -- excuse me,  
14 registered with the SEC.

15 Q. And there were other factors  
16 on the scorecard as well, right?

17 A. Yes.

18 Q. And meeting housing goals was  
19 part of how you were evaluated, right?

20 A. Yes.

21 Q. And --

22 A. I don't remember, but I  
23 believe so.

24 Q. Okay. Let's look at a  
25 document.

RICHARD F. SYRON - 11/22/2013

Page 239

1

2 MR. STARK: Let's mark the  
3 next exhibit, 34617.

4 (Syron Exhibit 34617 for  
5 identification, letter from Mr.  
6 Syron to the stockholders of  
7 Freddie Mac dated May 7th, 2007,  
8 with attached proxy statement.)

9 Q. Mr. Syron, you have now before  
10 you what's been marked as Exhibit 34617.

11 A. Yes.

12 Q. This begins with a letter from  
13 you to the shareholders of Freddie Mac  
14 dated May 7th, 2007, right?

15 A. Yes.

16 Q. And attached to it is Freddie  
17 Mac's proxy statement; is that right?

18 A. Yes.

19 Q. And are you generally familiar  
20 with this document?

21 A. I was at the time.

22 Q. Let's turn to page 40 in the  
23 proxy statement. Do you have page 40?

24 A. Yes.

25 Q. And under the heading "Annual

RICHARD F. SYRON - 11/22/2013

Page 240

1

2       bonuses," third paragraph down from that  
3       it says "The 2006 bonus funding scorecard  
4       included the following performance areas  
5       and related objectives."

6                   Do you see that? It carries  
7       over to the next page.

8           A.    No. I don't see it. Where is  
9       it?

10          Q.    Page 40.

11          A.    Page 40.

12          Q.    Do you see the annual bonuses  
13       heading?

14          A.    Yes.

15          Q.    Go down three paragraphs?

16          A.    Yes.

17          Q.    It says "the 2006 bonus  
18       funding scorecard included the following  
19       performance areas and related  
20       objectives."

21          A.    I must -- oh, oh, I was  
22       looking under the wrong thing. Yes, I  
23       see that.

24          Q.    You've got it, okay. And then  
25       underneath what I just read there's a

RICHARD F. SYRON - 11/22/2013

Page 241

1

2       series of bullets carrying over to page  
3       41, right?

4           A.     Yes.

5           Q.     And each of these bullets  
6       represented an element of how your bonus  
7       was evaluated for 2006, right?

8           A.     This was not just my bonus.

9       This was how the bonuses were determined  
10      for the named executive officers.

11       Q.     For you and for other officers  
12      at Freddie Mac, right?

13       A.     Right, but I'm not sure the  
14      weights were the same on each one.

15       Q.     You see the first bullet under  
16      the line I read is headed "Mission"?

17       A.     Yes.

18       Q.     And this refers to satisfying  
19      housing goals, right?

20       A.     Yes.

21       Q.     And was that in fact an  
22      element of the evaluation of your bonus  
23      for the year?

24       A.     Yes.

25       Q.     The next bullet is headed

RICHARD F. SYRON - 11/22/2013

Page 242

1

2 "Shareholder value." Do you see that?

3 A. Yes.

4 Q. And that carries on through  
5 several subbullets, do you see that,  
6 going over to the next page?

7 A. Yes.

8 Q. And would shareholder value  
9 generally refer to profitability, the  
10 financial performance of the firm?

11 MR. COREY: Object to the  
12 form.

13 A. Shareholder value would mean,  
14 that, in effect, the long-term value of  
15 the corporation. It wouldn't be measured  
16 in short term in my opinion.

17 Q. If you look at the top of page  
18 41, at least one --

19 A. I'm sorry, I've got to take a  
20 minute to clean my glasses. I got them  
21 scratched up on the floor and I'm having  
22 a hard time seeing. Okay.

23 Q. At the top of page 41 you see  
24 there's a subbullet under shareholder  
25 value is "Return on equity for new

RICHARD F. SYRON - 11/22/2013

Page 243

1

2 business in both the guarantee and  
3 retained portfolios."

4 Do you see that?

5 A. Yes.

6 Q. And then three bullets down  
7 "accomplishing a specific growth goal for  
8 a guarantee portfolio," do you see that?

9 A. Yes.

10 Q. And below that "accomplishing  
11 a specific growth goal for our retained  
12 portfolio," do you see that?

13 A. Yes.

14 Q. And the retained portfolio  
15 included the PLS, right?

16 A. Yes.

17 Q. And so would it be accurate to  
18 say that achieving growth goals within  
19 PLS would have possibly affected your  
20 bonus?

21 MR. COREY: Objection, form.

22 A. In my discussion with the  
23 compensation committee, with the chairman  
24 of the compensation committee, the  
25 greatest attention was placed on, as I

RICHARD F. SYRON - 11/22/2013

Page 244

1

2       said before, financial reporting and some  
3       of these other measures. I think this  
4       may have referred more -- I think coming  
5       from me, but I think it referred more to  
6       people in the investment area.

7           Q.    This would have carried some  
8       weight on your bonus but more for people  
9       in the investment area, is that what  
10      you're saying?

11            MR. COREY: Objection to form.

12           A.    I don't know.

13           Q.    Were others, other executives  
14       at Freddie Mac besides you also rated for  
15       their bonuses on whether Freddie Mac  
16       achieved its HUD goals?

17           A.    Yes. I want to come back to  
18       this. It wasn't necessarily achieved.  
19       How Freddie Mac did in meeting those  
20       goals. Because remember I had said about  
21       my discussions with Secretary Jackson.

22           Q.    I see. So it wasn't, it  
23       wasn't binary whether you achieved or  
24       didn't achieve them?

25           A.    Exactly.

RICHARD F. SYRON - 11/22/2013

Page 245

1

2 Q. But coming closer to or  
3 achieving the HUD goals would be a good  
4 thing for your bonus, right?

5 MR. COREY: Objection, form.

6 A. Yes.

7 Q. And it would have been a good  
8 thing for other executives' bonuses at  
9 Freddie Mac; is that right?

10 MR. COREY: Same objection.

11 A. Yes.

12 Q. Would it be fair to say that  
13 you and the other executives at Freddie  
14 Mac wanted to make sure that you came as  
15 close as you could to satisfying the HUD  
16 goals?

17 A. I think subject to safety and  
18 soundness considerations.

19 Q. In general, yes, you were  
20 striving to meet the HUD goals, right?

21 A. Everything else --

22 MR. COREY: Objection,  
23 misstates the testimony.

24 A. Everything else being the  
25 same.

RICHARD F. SYRON - 11/22/2013

Page 246

1

2 Q. Everything else being the same  
3 the answer to my question is yes; is that  
4 right?

5 A. Yes.

6 MR. COREY: Same objection.

7 Same objection.

8 Q. Incidentally, was the  
9 scorecard for evaluating your and other  
10 executives' bonuses at Freddie Mac, was  
11 it the same in 2007 as in 2006?

12 MR. COREY: Objection, form.

13 A. I don't know.

14 (Syron Exhibit 34618 for  
15 identification, letter from Mr.  
16 Syron to the stockholders of  
17 Freddie Mac dated April 29, 2008,  
18 with attached proxy statement.)

19 Q. You now have, sir, before you  
20 what we've marked as Exhibit 34618.

21 A. Yes.

22 Q. And this one starts with a  
23 letter from you to the stockholders of  
24 Freddie Mac dated April 29, 2008, do you  
25 see that?

RICHARD F. SYRON - 11/22/2013

Page 247

1

2 A. Yes.

3 Q. And then what follows is the  
4 proxy statement to the shareholders,  
5 right?

6 A. I'm sorry, I didn't hear what  
7 you said.

8 Q. What follows then is the proxy  
9 statement for the shareholders?

10 A. Yes.

11 Q. And if you turn to page 43 in  
12 this exhibit.

13 A. It's paginated at the bottom  
14 in this?

15 Q. At the bottom, yes.

16 A. Okay.

17 Q. And you'll see there at the  
18 top of the page a heading that says  
19 "Annual bonuses"?

20 A. Yes.

21 Q. And here then there's a  
22 section beginning three paragraphs below  
23 that that says "The 2007 bonus funding  
24 scorecard contained a balanced set of  
25 performance measures that integrated